



Facts About Consolidation

“How Consolidators Can Help Exporters”

Logistics costs are driving change.

Freight expenses continue to be one of the main reasons manufacturers are forced to raise the cost of their goods. This is particularly impactful for regional manufacturers that produce a unique product with minimal variety. For the most part, shipping orders by LTL (Less Than Load) domestically is the common practice even though it is costly. Shipping LCL (Less than Container Load) for Export is very expensive and could be unrealistic to a potential import buyer depending on the order size and final destination. By not choosing to use a consolidator, the regional manufacturer LCL order is independent of the others on that container and totally dependent on the carrier to make the delivery. This is a very similar process to shipping international using UPS or DHL. Their order would essentially ride with other orders with different final destinations. The difficulty and cost associated with LCLs could make the transaction uninviting and too costly to an importer.

What is a consolidator?

A consolidator or 3PL (Third Party Provider) is a company that provides a variety of services that include an opportunity for small manufacturers or suppliers to come together as one to reduce the overall impact that logistics expenses would have on their delivered cost of goods. When a consolidator ships a FCL (Full Container Load) to the same location, the impact on each case shipped is greatly reduced. The result is a more efficient model for the importer to buy from as well as a lower cost of goods. For the manufacturer it means more frequent orders.

What's in it for the consolidator?

Most consolidation companies charge for each service they provide. This includes product handling, receipt, temporary storage, scheduling of containers and consolidation. The consolidator may have the ability to source other items that would be of interest to the import buyer. The more services and products the consolidator can provide or source the more frequently the importer will consider an order from a regional manufacturer.

